2000 / 2001 Annual Report

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2000/2001 Annual Report of the Auditor General of British Columbia

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of British Columbia

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The Honourable Gary Collins
Minister of Finance and Corporate Relations
Province of British Columbia

Sir:

I have the honour to transmit herewith the 2000/2001 Annual Report of the Office of the Auditor General to the Legislative Assembly, to be laid before the Assembly in accordance with the provisions of section 10 of the Auditor General Act.

Wayne K. Strelioff, CA
Auditor General

Victoria, British Columbia
June 2001

copy: Mr. E. George MacMinn, Q.C.
Clerk of the Legislative Assembly

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I am pleased to present the annual report of my Office for the 2000/2001 fiscal year.

Wayne K. Strelioff, CA
Auditor General

Victoria, British Columbia
June 2001

101-05887/

overview of our performance

overview of our performance

Strategic Issues

Providing Sufficient Audit Coverage

The Office continued to have difficulty providing the depth and range of audit coverage needed to fulfill its role as the Legislative Assembly's auditor. Our resources are declining in relation to the size and complexity of the sectors we must audit. Overall, the level of resourcing of the Office means that many sectors and key systems in the government received insufficient audit attention.

Updating the Auditor General Act

Last year an independent committee, formed at the request of the Auditor General, reviewed the current Auditor General Act and our proposal for new legislation. The committee made several recommendations regarding a new Act. It expressed its support for the need for revised legislation and for the proposals put forward by the Office.

In November 2000, all legislators were provided with the proposed revisions, which were also discussed with the Select Standing Committee on Public Accounts.

Managing Our Human Capital

During the year we continued to experience difficulty in recruiting new financial audit staff, particularly those with accounting designations. The large number of attractive job opportunities in larger centres meant increased competition for this group. In addition, since many of our senior staff will be eligible for retirement in the coming five years, succession planning continues to be a pressing issue for the Office.

Operating Results

Assessing Government Accountability and Performance

The Auditor General issued his audit opinion on the government's 1999/2000 Summary Financial Statements. In addition, he issued about 100 opinions on the financial statements of government organizations. Audit opinions were also given on other statements: the Provincial Net Debt, Key Indicators of Provincial Debt, and Summary of Key Benchmarks Report, and the Chief Investment Officer's assertion of controls over the government's investment system.

Seven reports were released on a variety of subjects, including general government, financial regulation and management and social programs. The Office also reported to the Assembly on the government's progress in implementing recommendations made in our earlier audits. Seven audit reports were also in progress as at March 31, 2001.

Advising on Government Accountability and Performance

The Office continued to work with government, the Legislative Assembly and professional bodies to encourage improved accountability reporting. This past year we issued a report on the status of the implementation of recommendations of the Budget Process Review Panel. We also provided management advisory services, to a number of Crown corporations and agencies.

Performing Effectively as an Office

During the year, we reviewed our organization structure and the assignment of corporate responsibilities. Our Corporate Services Sector was given greater responsibility for enhancing strategic planning, management information systems, performance measurement, records management, human resource planning, and risk management.

Our Financial and Operating Performance

	2000/2001	1999/2000	1998/1999
Total expenses	$8,259,967	$8,214,767	$8,023,327
Authorized full-time equivalents (FTEs)	95	95	95
Actual FTEs	87	87	86
Employee cost (% of total operating expenditure)	72.0%	74.1%	76.5%
Staff turnover	11%	6%	16%

The financial statements of the Office for the 2000/2001 year are included in Appendix A.

Key Performance Information

Inputs

- Staff of 87
- Operating appropriations: $6,743,000
- Capital appropriations: $258,000
- 87,800 audit hours
- Audit costs recovered: $1,699,867

Outputs

- 100 audit opinions on financial statements
- Qualified audit opinion on Summary Financial Statements
- 23 management letters issued to government managers containing 144 recommendations
- 4 audit reports issued on government's operational performance
- 3 special advisory reports issued
- Audits of government's performance carried out in three of nine areas of government activity

Selected Outcomes

- Bill 2, the Budget Transparency and Accountability Act, receives royal assent in July 2000
- Steps taken to build stronger career development capacity in the public service
- Information provided to legislators and the public about:
  - Government financial accountability
  - Monitoring of credit unions and trust companies
  - Managing of consulting engagements
  - Fostering of a safe learning environment in schools
  - New strategic direction for the Office and a funding proposal
  - Follow-ups to prior performance and compliance audits
  - Implementation of the Budget Review Panel recommendations

corporate overview

corporate overview

Mandate

The Auditor General of British Columbia functions within the legal framework established by the Auditor General Act. The Act sets out the authority, power and duties of the Auditor General.

Mission

To serve the Legislative Assembly and the people of British Columbia by providing independent assessments and advice that enhance government accountability and performance.

Vision

Making a difference for the people of British Columbia by contributing to accountable and well-performing government.

Values

Committed to Excellence

We strive to meet the highest standards of service, professionalism, integrity and independence.

We are committed to being efficient and effective in our operations, and to promoting creativity, innovation and responsible risk-taking in our work.

We seek to maintain a relationship of mutual respect and trust with those we serve, and willingly share our experience and expertise.

Committed to People

We value the unique contribution and talents each individual adds to our Office and community.

We strive to manage on the basis of fairness, equity, honesty, mutual respect, trust and personal dignity. As our success is dependent on working together, we promote a spirit of cooperation and teamwork throughout our organization.

We are committed to the concept of personal and professional development and support quality-of-life endeavours.

Key Risks

To achieve our goals and objectives, we must be able to effectively manage our key risks:

1. **Independence** – We will not be successful if we lose, or are perceived to lose, our independence.
2. **Credibility** – We will not be successful if we provide inappropriate or incorrect assurance and advice.
3. **Relevance** – We will not be successful if we do not adequately understand or respond to the information needs of our stakeholders.
4. **Resources and staff competencies** – We will not be successful if we do not have the required resources and competencies to carry out our mission.

Our Work

Exhibit 1 provides an overview of our work. Our objectives in assessing and advising on government accountability and performance are to:

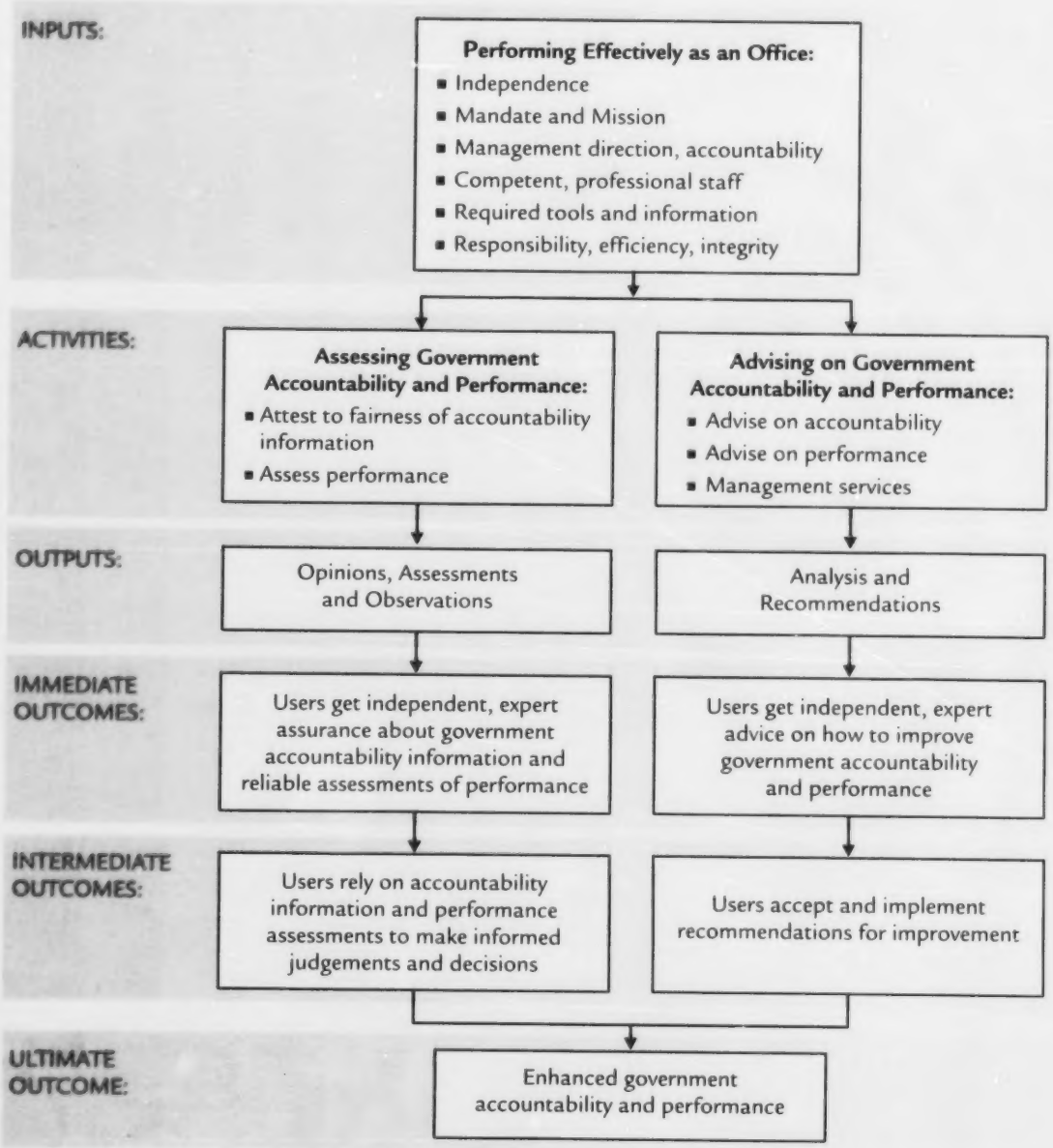
- Audit and report on the fairness and reliability of the accountability information provided by government on its performance to the Legislative Assembly.
- Audit and report directly on aspects of government performance that are of importance to legislators and the public, for which government does not provide accountability information.
- Support the development and implementation of principles for government use in reporting accountability information to the Legislative Assembly and the public.
- Advise on specific ways to improve government accountability practices and performance.

The reports of the Auditor General are tabled with the Legislative Assembly and then referred to a committee of the House, generally the Select Standing Committee on Public Accounts. The committee (with members from government, the Opposition party and third parties) studies the issues, calls on government officials to appear before it, and reports back to the Assembly with its recommendations. Neither the Auditor General nor the Public Accounts Committee has the authority to implement any recommendations made. This is the prerogative of the government.

Exhibit 1

Overview of Program Activities and Outcomes

NEEDS: **The Legislative Assembly and the people of British Columbia want government to be accountable and well performing. The Office of the Auditor General provides independent assessments and advice that enhance government accountability and performance.**


INPUTS:
Performing Effectively as an Office:
Independence
Mandate and Mission
Management direction, accountability
Competent, professional staff
Required tools and information
Responsibility, efficiency, integrity
ACTIVITIES:
Assessing Government Accountability and Performance:
Attest to fairness of accountability information
Assess performance
Advising on Government Accountability and Performance:
Advise on accountability
Advise on performance
Management services
OUTPUTS:
Opinions, Assessments and Observations
Analysis and Recommendations
IMMEDIATE OUTCOMES:
Users get independent, expert assurance about government accountability information and reliable assessments of performance
Users get independent, expert advice on how to improve government accountability and performance
INTERMEDIATE OUTCOMES:
Users rely on accountability information and performance assessments to make informed judgements and decisions
Users accept and implement recommendations for improvement
ULTIMATE OUTCOME:
Enhanced government accountability and performance

Source: Office of the Auditor General of British Columbia

The Conduct of Our Work

All staff, but particularly those who are new to the public service, are made aware of the Standards of Conduct for Public Service Employees. We emphasize these standards to ensure staff understand and can meet the public's expectations concerning ethical behaviour. In addition, we introduce new staff to the Office's statement of values, which stresses our commitment to excellence and commitment to people. We are also highly conscious of the public sector values that must guide us in our work—values such as the prudent use of taxpayers' dollars, integrity in our work, and impartiality in our dealings with government officials, legislators and the public. Quality assurance is also an important aspect of our work and is shown in detail on the next page.

Our Organization

As an officer of the Legislature, the Auditor General is appointed on the recommendation of the Legislative Assembly and is therefore independent of government and in a position to make impartial assessments of government accountability and performance.

To fulfill his role, the Auditor General has established a professional office dedicated to public sector accountability and auditing and committed to the principles of objectivity, integrity, due care and service to the public. He is assisted by a staff complement of 87.

Organizational Restructuring

During the year, extensive strategic planning work was carried out in the Office, culminating in a new strategic plan. One of the outcomes of this work was a reorganization of the Office to reflect the key sectors of government. Five major sector groups were created: health, education, protection of persons, natural resources, and finance. With this new structure, staff will be able to focus more closely on accountability and risk management challenges faced by each of these sectors.

A sixth sector, corporate services, provides staff support and technical assistance to the Office. Its responsibilities include the strategic planning, financial management and administration of the Office, human resource management, information services and support, and computer services. Three-year work plans are being developed based on this new sector focus.

In addition to these sectors, a number of other special-purpose groups have been created in the Office. One is a special projects group, set up to be able to monitor and react quickly to emerging issues, regardless of the sector it relates to.

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Quality Assurance

The audits we undertake are carried out in accordance with the auditing standards established by the Canadian Institute of Chartered Accountants. We consider, as well, international auditing standards when planning our audits, particularly when an issue is not addressed specifically in Canadian standards. These standards are rigorous and demanding. They are designed to ensure that our audits are properly planned, staffed, conducted and reported, and that our audit findings are based on well-substantiated evidence. Where our work requires, we involve professionals with specialist knowledge in the subject area under review.

In addition to auditing standards, the Office has established other processes for ensuring a high standard of work. The Office's audit manuals, for instance, provide staff with policy and technical direction, procedures that represent current best practice, and expectations for the exercise of professional judgement. The manuals are regularly reviewed and updated. We also subject files and reports to thorough reviews to ensure that the opinions and conclusions made are accurate and supported by sufficient evidence. For our audits of government's performance, we establish advisory committees which consist of knowledgeable people from outside the Office. These committees consider whether:

- critical areas for in-depth audit have been identified;
- a sound methodology (including suitable criteria) has been selected;
- conclusions are plausible and adequately supported; and
- reports present the facts and our findings and conclusions fairly.

Audit teams communicate with government officials throughout each phase of the audit. These ongoing discussions can:

- bring to light other relevant evidence or alternative interpretations on a timely basis;
- allow the audit teams to confirm their growing understanding of the subject matter, and government officials to appreciate the level of understanding that has been gained; and
- enable the audit teams to assess the practicality of their recommendations.

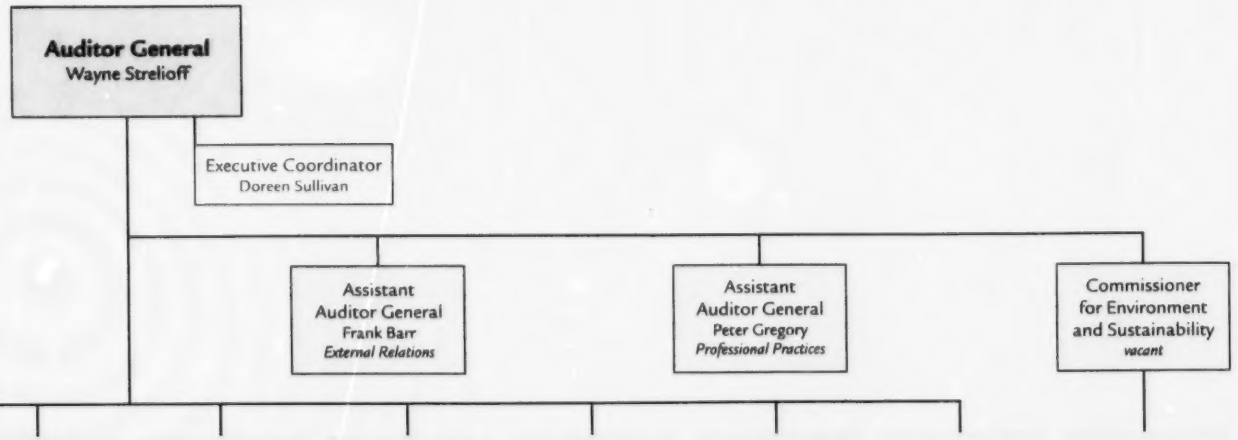
In the end, however, it is the Office that decides what changes, if any, shall be made. The checks and balances that underpin our audit work are important, but time-consuming to apply. This is particularly so where the audit is more controversial than usual. Government officials, for example, may need more time to assess the completeness of our work or to respond to our preliminary findings. In some cases, legal counsel may be employed by both government and by our Office.

As well as our own quality assurance processes, the Office is subject to processes that involve outside parties. For example, the Institute of Chartered Accountants of British Columbia undertakes periodic practice inspections. Such inspections help ensure that professional standards are being followed and that office practices are suitable for the training and apprenticeship of new professionals.

We also share our experiences with our legislative audit colleagues across Canada through forums such as the Canadian Council of Legislative Auditors. Finally, we consult regularly with outside parties in British Columbia, such as legislators, government and the public, to ensure the relevancy of our audit work and of the manner that work is communicated to stakeholders. These consultations assist us in identifying those matters that are of public interest and should be subject to audit.

Exhibit 2

Our Organization as at March 2001



Jane McCannell

Stan Andersen
Susan Berry
Kelly Cole■
Grace Culic
Nancy Dickson
Bill Gilhooly
Sandi Grant
Norma Louden
Les McAdams•
Anne McLeod
Kerry Ringdahl
Michelle Rowsell
Debbie Sawin
Laurie Selwood■
Ira Smolkin
Tracy Theodore
Pat Wilkes

Lynne Ronneseth

Patti Hupe
Vivian Lee•
Jenny Leung
Rene Loo
Cathy MacArthur
Arun Narula
Cathy Russell
Hemendra Shah
Angela Tao
Tony Timms

Keyvan Ahmadi

Marlene Barr
Peter Bourne
Kendrick Cheung
Ada Chiang
Gary Copeland
Faye Fletcher
Joji Fortin
David Gedge
Pam Hamilton
Vernon Jones
Peter Leung
Randy Nicholson
Jamie Orr
Marshall Petrie
Osami Saito
John Sitch
Geoff Stagg
Travis Waite
Bonnie Wong
Wendy Wu
Colin Young

Peter Gregory

Ian Davies
Norma Glendinning
Fred Heard
Brian Jones
Ken Lane
David Lau
Deborah Law
Sarah Macdonell
Ken Ryan-Lloyd
Owen Trist
Barbara Vanderlinden
Jo-Ann Youmans

Russ Jones

Scott Bailey
Roy Butcher
Jennifer Chailler
Jean Gordon
Don Kelso
Kevin Kilpatrick
Jagdip Mann
Lisa Moore
Tin Lok Ng
Molly Pearce
Bruce Perry
Mike Tuckey
Anne-Marie Watson

Errol Price

Ian Aaron
Mark Bennet
Roger Brown
Kathy Crawley
Bob Faulkner
Susan Jennings
Mark Johnston
Kanwaljeet Kuckreja
Rob Leadbetter
Grace Lee
Michael Macdonell
Mike McStravick
Hermin Saksono
Wayne Schmitz
Curtis Slater

Endre Dolhai

Morris Sydor

■ Staff on long-term leave
• On secondment/temporary assignment

Source: Office of the Auditor General of British Columbia

Specific responsibilities for leading professional practices issues in the Office, as well as for managing and promoting external relations were also assigned to each of the Assistant Auditor Generals.

Commissioner for Environment and Sustainability

Late in the fiscal year, the government asked the Office to appoint and oversee the establishment of a Commissioner for Environment and Sustainability. The Commissioner will work within the Office and report to the Auditor General. A recruiting process was started and will be completed in the next fiscal year. Up to 7.5 additional authorized full-time equivalents (FTEs; a measure of personnel resources) are required to support this new position.

Exhibit 2 illustrates the new structure and the staff complement within each sector.

Executive Committee

The Executive Committee advises and supports the Auditor General in developing strategy and monitoring performance for the Office. In particular, the Committee provides advice on the Office's strategic direction, operating plans, and performance measurement and accountability reporting. It also acts as a forum for discussion of Office-wide issues.

Our Staff

Many of our staff hold accountancy and management consulting designations, and these are often accompanied by university degrees in commerce, business and economics. But we also employ professionals with knowledge, skills and abilities that reach beyond accounting and auditing expertise. Various staff have post-graduate degrees in public administration, political science, law, research methods and general management. We also have staff with degrees in such diverse areas as architecture, education, library sciences, nursing and social work. Our staff are skilled interviewers, negotiators and communicators.

The practical experience of our staff is wide-ranging, too. Some have worked in the private sector before joining the Office, and others have experience in the public sector at the provincial, national and international levels.

year in review: core activities

year in review: core activities

This review of our activities and accomplishments over the past year is organized around the three core activities of our 1999–2002 Corporate Plan. The activities are:

- Assessing government accountability and performance
- Advising on government accountability and performance
- Performing effectively as an Office.

Assessing Government Accountability and Performance

Assessing Government Accountability

Legislators need financial accountability information about each organization that makes up the government reporting entity. Consequently, as the Legislative Assembly's auditor, the Auditor General must be in a position to conduct, or cause to have conducted, the financial audits of these organizations. The Auditor General Act, however, does not reflect this necessity.

To address this, the Office has signed a Memorandum of Understanding with the Minister of Finance and Corporate Relations concerning the appointment of auditors and the charging of audit fees. The memorandum covers almost all the Crown corporations, all the colleges, 11 regional health boards and 34 community health councils. It addresses such issues as the use of private sector auditors, and gives the Office the opportunity to provide guidance to those auditors and advice to the Minister.

There are three ways by which the financial statements of government are audited and publicly reported on: by staff of the Office; by private sector auditors acting as our agents; and by authorized auditors. An authorized auditor is a private sector firm that is appointed to undertake the financial statement audit of a government enterprise, such as is found in the education and health sectors. A list of public sector entities and their auditors, including those audited by the Office and those audited by our agents, is provided in Appendix B.

Each year, we audit the Summary Financial Statements and the Consolidated Revenue Fund. To enable our staff to develop and maintain a good working knowledge of the various sectors of government, we also audit the financial statements of selected organizations in each sector.

Audit Report of Government's Accountability

Information about our audits of the financial statements of the government and its organizations is available in printed form or can be accessed at our website (bcauditor.com). Our report is called *Report on Government Financial Accountability for the 1999/2000 Fiscal Year*, Province of British Columbia.

In 2000/2001, the Auditor General expressed a qualified audit opinion on the Summary Financial Statements because the government again omitted from its financial reporting:

- school districts (60 entities);
- universities and colleges (28 entities); and
- health care organizations (104 entities).

This past year private sector auditors acting as our agents carried out the financial statement audits of 12 entities. Where we engage such agents we may also perform additional work. Our objective is to gain assurance that the audits are carried out in a way that meets the needs of legislators. It also allows us to report on any matter that we feel should be brought to the attention of the Legislative Assembly.

The Office provides audit coverage, directly or through an agent, for just over 25% of the organizations reported on in the Public Accounts.

Close to 25 years ago when the Office was established, responsibility for auditing all organizations audited by the government's Comptroller General was transferred to the Auditor General. Today there are 60 school districts, 104 health authorities, 29 unit pools and 9 pension plans. The number of Crown corporations to be audited by staff of the Office has doubled to 26; there are now six universities to be audited, most by our agents; and there are now 29 unit pools to audit where there were none before.

Key Performance Information

Coverage Over the Year:

In 2000/2001, the Auditor General:

- issued his audit opinion on the Summary Financial Statements of the Province and on the Consolidated Revenue Fund Financial Statement;
- issued 100 audit opinions on the financial statements of government organizations;

Assessing Government's Accountability: The Impact of Our Work

We have advocated for some time now that government should budget and account for all its expenditures, not just those of central government. We have expressed this opinion in every report we have issued on the Public Accounts of the Province. We have called on government to be accountable for all its organizations, and have devised a framework that could see this happen. And we have, after a comprehensive review of the Estimates process in British Columbia, called for fundamental changes to the way the government prepares its annual budget and reports on its use of public funds.

In its Budget 2000 report, the government formally committed to reporting its bottom line using the Summary Financial Statements, combining Crown corporation results with those of government ministries. Although it does not yet include the SUCH sector—the schools, universities, colleges and health sector—it is a step toward better disclosure about the government's spending.

- commented on the Provincial Net Debt, Key Indicators of Provincial Debt, and Summary of Key Benchmarks Report; and
- issued his audit opinion on the Chief Investment Officer's assertion of controls over government's investment system.

Timeliness:

We met our deadline to have the audits of the government's financial statements substantially completed by June 25, 2001.

Resources:

This past year, we expended 56,600 hours auditing government accountability reports. This represented 64% of available audit hours.

Outcomes:

Over the years, the government has accepted many of our recommendations designed to make the Public Accounts a better financial accountability document. They include, for example:

- use of the Summary Financial Statements as the primary financial statements of the Province;
- recording of the unfunded portion of the pension benefits earned by employees; and
- moving from a modified accrual to a full accrual basis of accounting;
- capitalization of fixed assets.

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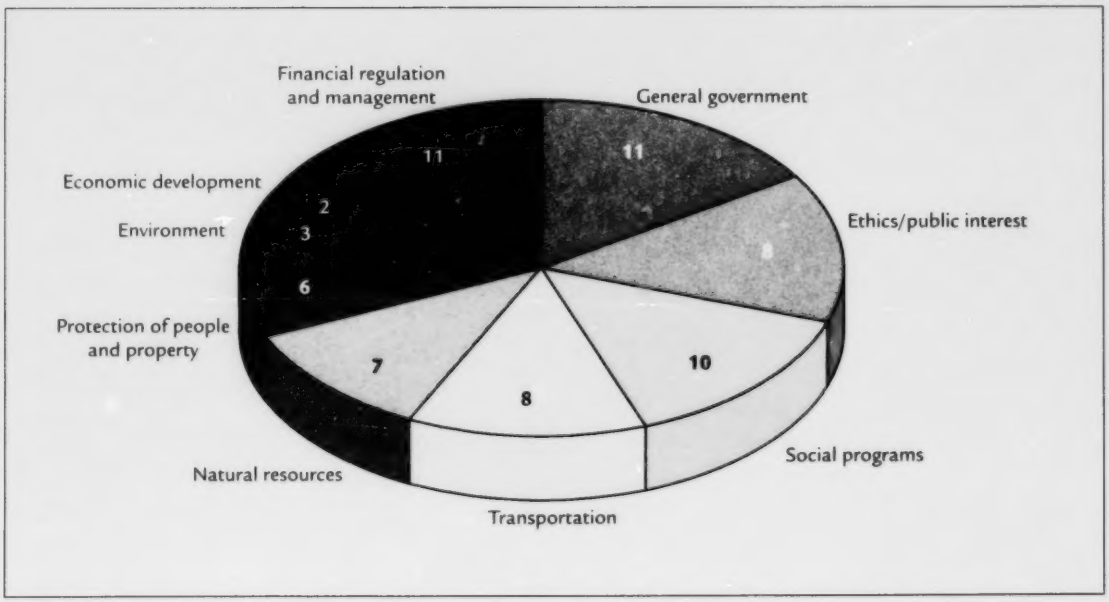
- moving from a modified accrual to a full accrual basis of accounting;
- capitalization of fixed assets.

Assessing Government Performance

Where possible, we audit the accountability information that government provides to the Legislative Assembly. In many cases, however, insufficient information is made available about the government's operational performance, its compliance with legislation and related authorities (including its conduct of public business) or its financial performance. To help fill the gap in its information needs, we directly assess and report to the Assembly on these aspects of the government's performance.

We choose our audits carefully to ensure that all government functions and key programs are reviewed over time. Our efforts are concentrated on areas where considerable public funds are expended, such as social programs, or other areas of continuing significance to legislators and the public. Audits may also be selected if they reflect areas of high risk or are of immediate and topical interest to the Assembly and public. Ultimately, our objective is to audit all significant aspects of government's performance every five or six years.

Since 1994/95, we have carried out audits in all major areas of the government's activities. Exhibit 3 shows the number of audits carried out in each area over the past six years.



In this six-year period, we:

- carried out audits of the government's operational performance, its compliance with legislation and related authorities, and its financial performance;
- audited both ministries and Crown corporations; and
- applied audit resources across all subject areas.

More audit work needs to be done within each area, but we face a challenge doing this. For example, almost half of our audits were carried out in just three of the nine subject areas: social programs, financial regulation and management, and general government. Despite this concentration of resources, we were still unable to carry out the minimum of one audit per year on health matters, even though this social program consumes significant public funds and is of high interest to legislators and the public alike.

We track public interest in our reports to determine whether we have responded to issues that are of significance or concern to people. Exhibit 4 shows the top 10 reports receiving the highest number of web hits from April 2000 to March 2001. The total number of hits for all our reports in this period numbers 64,000.

Exhibit 4

Our "Top Ten" Reports—Web Hits, April 2000 to March 2001

#1	*Report on Government Financial Accountability for the 1999/2000 Fiscal Year*	6,900
#2	*Fostering a Safe Learning Environment: How the British Columbia Public School System Is Doing, 2000/2001*	5,200
#3	*Protecting Drinking-Water Sources, 1998/1999*	4,900
#4	*Maintaining Human Capital in the British Columbia Public Service: The Role of Training and Development, 1999/2000*	3,500
#5	*Towards a More Accountable Government: Putting Ideas Into Practice, 1999/2000*	2,700
#6	*A Review of the Fast Ferry Project: Governance and Risk Management, 1999/2000*	2,500
#7	*1999/2000 Annual Report of the Auditor General of British Columbia, Auditing in the Public Interest, 1999/2000*	2,100
#8	*Forest Renewal BC: Planning and Accountability in the Corporation;* and *The Silviculture Programs, 1999/2000*	2,100
#9	*Follow-up of Performance and Compliance Audits: A Review and a Study, 2000/2001*	2,000
#10	*Pulp and Paper Mill Effluent Permit Monitoring; Standards of Conduct in the Education Health Sectors; Status of Public Accounts Committee Recommendations Relating to Prior Years' Compliance Audits, 1999/2000*	2,000
	Total "Top Ten" reports	**33,900**

Source: Data compiled by the Office of the Auditor General of British Columbia

Assessing Government Performance

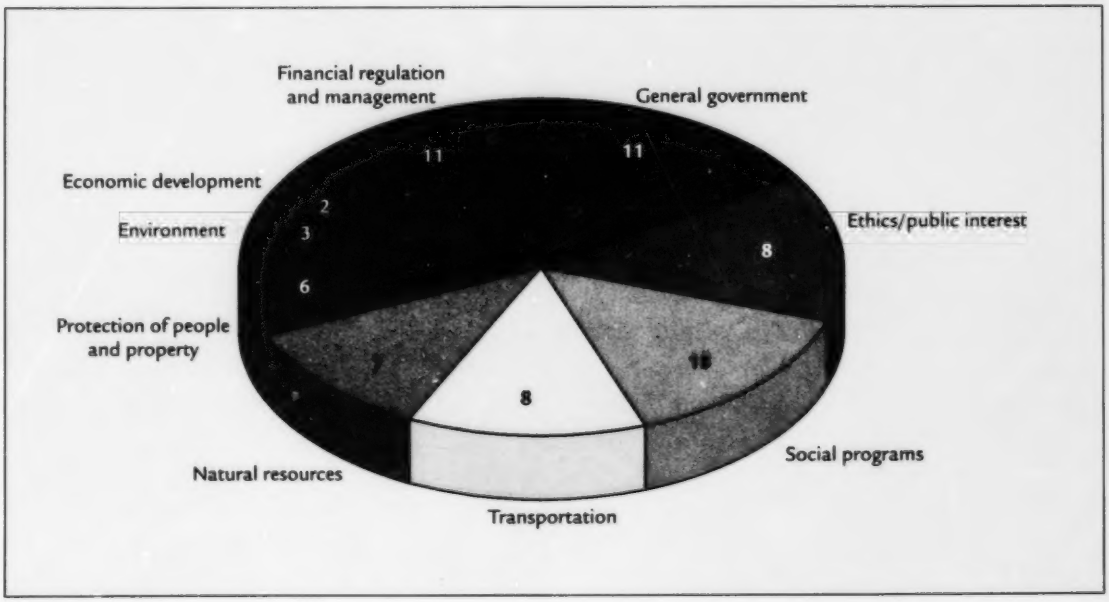
Where possible, we audit the accountability information that government provides to the Legislative Assembly. In many cases, however, insufficient information is made available about the government's operational performance, its compliance with legislation and related authorities (including its conduct of public business) or its financial performance. To help fill the gap in its information needs, we directly assess and report to the Assembly on these aspects of the government's performance.

We choose our audits carefully to ensure that all government functions and key programs are reviewed over time. Our efforts are concentrated on areas where considerable public funds are expended, such as social programs, or other areas of continuing significance to legislators and the public. Audits may also be selected if they reflect areas of high risk or are of immediate and topical interest to the Assembly and public. Ultimately, our objective is to audit all significant aspects of government's performance every five or six years.

Since 1994/95, we have carried out audits in all major areas of the government's activities. Exhibit 3 shows the number of audits carried out in each area over the past six years.

Exhibit 3

Number of Audits by Subject Area, 1994/95 to 2000/2001



Source: Data compiled by the Office of the Auditor General of British Columbia

In this six-year period, we:

- carried out audits of the government's operational performance, its compliance with legislation and related authorities, and its financial performance;
- audited both ministries and Crown corporations; and
- applied audit resources across all subject areas.

More audit work needs to be done within each area, but we face a challenge doing this. For example, almost half of our audits were carried out in just three of the nine subject areas: social programs, financial regulation and management, and general government. Despite this concentration of resources, we were still unable to carry out the minimum of one audit per year on health matters, even though this social program consumes significant public funds and is of high interest to legislators and the public alike.

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	Total "Top Ten" reports	**33,900**

Source: Data compiled by the Office of the Auditor General of British Columbia

Key Performance Information

Coverage Over the Year:

During the year ended March 31, 2001, we issued six reports, and had seven more in progress at year-end, encompassing:

- government's operational performance, its compliance with legislation (including its conduct of public business), and its financial performance;
- programs within both ministries and Crown corporations; and
- seven of the nine areas of government activity, as shown in Exhibit 5.

Exhibit 5

Providing Coverage of Government's Performance

Audit Area	Completed in 2000/2001	In Progress at March 2001
Economic development		✓
Environment		
Ethics/public interest		
Financial regulation and management	✓	
General government	✓	✓
Natural resources		✓
Protection of people and property		✓
Transportation		✓
Social programs	✓	✓

Source: Data compiled by the Office of the Auditor General of British Columbia

Audit Reports of Government's Performance

The following lists our 2000/2001 reports on government performance. They are available in printed form or can be accessed at our website (bcauditor.com). A summary of each audit report is included in Appendix C.

Fostering a Safe Learning Environment: How the British Columbia Public School System Is Doing

Report on the Implementation of the Recommendations of the Budget Process Review Panel

Follow-up of Performance and Compliance Audits: A Review and a Study

Strategic Direction and Funding Proposal

Management Consulting Engagements in Government

Monitoring Credit Unions and Trust Companies in British Columbia

Report on Government Financial Accountability for the 1999/2000 Fiscal Year, Province of British Columbia

Resources:

This past year we expended 23,800 hours assessing the performance of the government. This represents 27% of available audit hours.

Outcomes:

It is often difficult to discern what impact our work is having on the way government manages and accounts for its performance. It may take some time, for instance, before our recommendations are fully implemented and the results realized. Examples of outcomes from our audit work are listed below.

Assessing Government's Performance: Examples of the Impact of Our Work

- The Province Commissions Review of Major Construction Projects:

  The release of our report *A Review of the Fast Ferry Project: Governance and Risk Management* prompted the government to commission a national firm to carry out a broad-ranging review of major capital projects delivered by government. "The Auditor General's review of the fast ferry project reaffirms government's need to incorporate all the processes, checks and balances necessary to carry out these projects from start to finish," said the Minister of Finance and Corporate Relations. "The message is loud and clear: British Columbians expect us to manage their dollars well, especially when we make large investments."

- Forest Renewal to Continue Implementing Key Audit Recommendations:

  "Forest Renewal BC has put in place a new performance-based, five-year strategic plan and funded completion of B.C.'s first ever provincial silviculture strategy, recommendations called for in two newly released audits from the Auditor General," said the Chair of Forest Renewal BC. He went on to say that the corporation would continue to implement other key recommendations contained in the audits. The audits referred to were Forest Renewal BC: Planning and Accountability in the Corporation and Forest Renewal BC: The Silviculture Programs.

- Deputy Ministers Issue Direction on Government-wide Training for 1999/2000:

  In response to our report *Maintaining Human Capital in the British Columbia Public Service: The Role of Training and Development,* steps were taken to build a stronger career development capacity within the provincial public service. For example, the Career Development and Resource Centre was amalgamated with the Employee Learning Services to ensure a stronger link between training and development. As a result of our work, information about corporate and ministry-specific training and development events are now being collected and tracked. This information, the Public Service Employee Relations Commissioner notes, "enables ministries to track their current training activities and implement more efficient training and development initiatives in the future."

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Transportation		✓
Social programs	✓	✓

Source: This exhibit was prepared by the Office of the Auditor General of British Columbia.

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During the year, we conducted twelve follow-up reviews of performance and compliance reports. As Exhibit 6 illustrates, action has been taken on many of the audit recommendations made in prior years.

Advising on Government Accountability and Performance

Improving the public reporting that government provides to the Legislative Assembly continued to be an important priority for the Office. Our efforts to promote improved accountability and performance in government focussed on three key areas: research and advice on accountability, audit recommendations, and management advisory services.

Research and Advice on Accountability

Our report—*Towards a More Accountable Government: Putting Ideas Into Practice*—was tabled with the Legislative Assembly in late 2000. A key area of concern raised in the report was that improved public reporting be supported by accountability legislation. This concern has since been addressed with the passage of the Budget Transparency and Accountability Act. As a result of this legislation, ministries and government organizations will be required to table their performance plans and to report actual performance against their plans in their annual reports. This is a significant step toward improved public reporting to the Legislative Assembly.

Over this past year, the Office worked with government and legislators to establish a Commissioner for Environment and Sustainability. The Commissioner, who will report administratively to the Auditor General, will report to the Legislative Assembly on:

- the state of the province's ecological health;
- the performance of government against publicly-stated sustainability commitments; and
- other sustainability matters as necessary.

A proposal is also on the table to amend legislation to ensure that ministries and government organizations consider environmental and sustainability issues in their performance plans and annual reports.

Our work to develop reporting, accounting and auditing standards that reflect developments in public sector organizations continued. To stay in touch with leading practices, we carried out an ongoing program of research, maintained our membership in key professional associations, and connected with others involved in public sector management. Working with the Canadian Council of Legislative Auditors, we helped develop public performance reporting

Exhibit 6

Follow-up of Performance and Compliance Reports in 2000/2001

December 2000 Report	Status of Recommendations
Follow-up of Performance Reports	
Social Housing:	
The Governance of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation;	10 recommendations fully implemented; 4 partially implemented; 1 alternative action taken
The Management of Social Housing Subsidies	1 recommendation fully implemented; 11 partially implemented
Forest Renewal BC:	
Planning and Accountability in the Corporation;	13 recommendations substantially implemented; 6 partially implemented
The Silviculture Programs	1 recommendation fully implemented; 14 substantially implemented; 6 partially implemented
Ministry of Environment, Lands and Parks, and other ministries	
Protecting Drinking-Water Sources	3 recommendations fully implemented; 24 partially implemented; 1 alternative action taken
Executive Severance Practices: Government Ministries and Crown Corporations	6 recommendations fully implemented; 4 alternative actions taken
Insurance Corporation of British Columbia	
Trucking Safety	13 recommendations fully implemented; 11 partially implemented; 3 alternative actions taken; 1 no action taken
Ministry of Transportation and Highways	
Vancouver Island Highway Project: Planning and Design	4 recommendations fully implemented; 2 partially implemented; 1 alternative action taken
Crown Corporation Governance Study	1 recommendation fully implemented; 3 partially implemented; 1 alternative action taken; 1 no action taken
Ministry of Finance and Corporate Relations	
Revenue Verification for the Social Service Tax	4 recommendations fully implemented; 5 partially implemented; 1 alternative action taken
Follow-up of Compliance Reports	
Ministry of Finance and Corporate Relations	
Loss Reporting in Government	6 recommendations fully implemented; 1 partially implemented
Ministry of Attorney General	
Motor Dealer Act	All 18 recommendations fully implemented

Source: Office of the Auditor General of British Columbia

principles. This work has since been published as a discussion paper by the CCAF-FCVI Inc. (formerly the Canadian Comprehensive Auditing Foundation) a Canadian non-profit research and educational foundation that supports effective governance, management and audit.

Key Performance Indicators

A long-term goal of the Office is to contribute to more accountable government, but ultimately it is a goal that only government can make happen. While not directly responsible, we believe the Office made a significant contribution to the creation of:

- the Budget Transparency and Accountability Act; and
- a Commissioner for Environment and Sustainability within the Office.

We continued to influence performance reporting by disseminating our thoughts and ideas through such established and well-respected vehicles as the CCAF-FCVI Inc.

With the passage of the Budget Transparency and Accountability Act, our focus has shifted. Rather than advocate for change, we look forward to providing the Legislative Assembly with assessments about the quality of the information now being provided by government organizations.

Management Letters

Often one of the outputs of our audit work are a number of observations and recommendations that we believe assist in improving internal control.

Advising on Government Accountability: The Impact of Our Work

Credibility, transparency and accountability—these are the watchwords of the Budget Transparency and Accountability Act. Passed in July 2000, the Act is already changing the face of public reporting. Government organizations are now required by law to set out their intentions in a public plan, to include specific objectives and performance measures, and to report publicly on their intended and actual results. We are pleased to know that we have been part of the effort that led to this change.

For several years, we urged government to be clear about its intentions and results. We worked closely with legislators, through the Public Accounts Committee, and with the government's most senior officials to bring this about. In our series of reports on enhancing accountability for performance, we set out an accountability framework for better public reporting. Our review of the Estimates process in British Columbia prompted the creation of the Budget Process Review Panel which recommended accountability legislation. It was a recommendation the Auditor General strongly supported.

During 2000/2001 we also issued 23 letters to government managers, containing 144 recommendations. The rate of acceptance of our management letter recommendations by government managers has been averaged about 90% over the years.

Our work with professional bodies: Our work with professional organizations is important if we are to make a contribution to auditing and accountability developments in the public sector. We contribute to developments in accounting and auditing in two ways: by offering advice on draft proposals on public sector accounting and auditing issues prepared by the Canadian Institute of Chartered Accountants (CICA); and by participating in committee work at the institute.

Serving the Profession

Staff of the Office are active members in a number of professional associations, including those listed below, and so are well-placed to contribute to the development of accounting and auditing standards.

Canadian Council of Legislative Auditors (CCOLA)

CCOLA is an organization devoted to sharing information and supporting the continued development of auditing methodology, practices and professional development. Its membership consists of the provincial Auditors and the federal Auditor General. The Auditor General of Bermuda is an associate member. Staff from our Office are directly involved in many of the CCOLA study groups and committees.

Canadian Institute of Chartered Accountants

Wayne Strelioff, Auditor General, served as a committee member on the Public Sector Accounting Board (PSAB).

Frank Barr, Assistant Auditor General, is Chair of the PSAB task force on employee future benefits and a member of the Risk Management and Governance Board.

Peter Gregory, Assistant Auditor General, is Vice-Chair of the Assurance Standards Board.

Institute of Chartered Accountants of British Columbia

Frank Barr, Assistant Auditor General, is a council member and 1st Vice-President.

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Errol Price, Senior Principal, is President of the Institute of Public Administration of Canada.

In addition to the national memberships mentioned above, a number of our staff are on the Board of Directors of local chapters of other professional associations that serve to further contribute to our professional development and the goals of those organizations:

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Norma Glendinning, Project Leader

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We continued our work with the CCAF-FCVI Inc. on its Public Performance Reporting program. We work with the CCAF-FCVI Inc. to advance public reporting and auditing principles and practices, and to establish shared understanding and agreement on public accountability and reporting matters within the governance, management and audit communities.

Our work with government managers: The management advisory services we provided this past year typically encompassed issues of performance management and control reviews. Organizations receiving advisory services included:

- BC Buildings Corporation
- Campbell River Community Health Services Society
- Cedar Lodge Society
- Centre for Excellence
- Coast Garibaldi Community Health Services Society
- Fisheries Renewal BC
- Forest Renewal BC
- Homeowner Protection Office
- ISM Information Systems Management (B.C.) Corporation (as of January 2001 the corporation's name was changed to Telus Enterprise Solutions)
- Tech University
- New Forest Opportunities Ltd.
- Public Trustee and Guardian of British Columbia
- Steelhead Society

Resources: (Advising)

This past year, we devoted approximately 7,300 hours to our work with government and the Legislative Assembly and with professional bodies to advise on government accountability and performance. This represents 9% of available audit hours. Our management advisory services for government managers was provided at cost.

Performing Effectively as an Office

Our ability to provide high quality audits, assessments and advice is dependent on being an effective, well-performing organization. The role of Corporate Services is to coordinate all planning, administrative and information management functions for the Office.

Key Performance Information (Performing)

Management Direction:

During the year, the Office embarked on a strategic planning process, involving almost all of our staff, to improve its planning processes and products. The resulting plan has been used to provide sector business plans and reorganization.

Human Capital:

The Office employs a multi-disciplinary staff of professionals. Through the past year, the Office maintained its skill base, although we had difficulty recruiting staff, particularly financial auditors. The results of our first annual work environment survey provided our Office with baseline data for future comparisons. A work environment committee was established to develop an action plan and monitor its implementation.

Human Capital Data for the Office of the Auditor General

	Fiscal 2000	Fiscal 2001
Actual number of staff	87	87
Average training and development hours for staff	63	77
Staff turnover*	6%	11%
Student turnover*	20%	8%
Number of hires*	12	16
Number of exits*	7	17
Number of staff with a professional accounting designation	51	52
Number of staff with a Certified Management Consulting designation	7	7
Number of accounting students (FTEs)	15	13
Age range of staff	22-63	24-60
Average age of staff classified at ML5 and above	51	52
Number of staff eligible for retirement within 5 years (age 55 or more)	23	22

*Excludes temporary staff

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*Excludes temporary staff

Performance Management and Accountability:

With the reorganization, we began reviewing our management information systems and processes for the Office to provide more timely and relevant data to executive and management. This major portion of work is expected to be completed in the latter part of 2001.

As well, work is continuing on the development of enhanced performance measures for the Office. These efforts reflect research taking place nationally regarding the measurement of audit office performance.

Efficiency and Productivity:

The Office's expenditures increased slightly over the previous year's. As discussed elsewhere the growth in spending is significantly less than the growth in the Office's workload.

Financial Controls:

Appropriate internal controls were maintained over expenditures, revenues and assets. During the coming fiscal year we will review our financial accounting systems.

Information Technology:

The Office has maintained a highly stable information technology platform while exploiting existing software resources and researching new technology to meet our business needs.

The Office network is secured from unauthorized intrusions by a firewall and the continual monitoring of computer systems and the data network. The Office's Help Desk has enhanced virus protection methods which, along with the heightened awareness of staff, have contributed to an appropriate level of protection and response to this threat. The Office did not experience any damage from viruses and disruptions were brief. Viruses continue to pose a high risk and we monitor and carry out preventative steps for viruses on a daily basis. Over the past year, the detection and blocking of viruses reached as high as 200 in a day.

We have developed an Intranet to facilitate information management and knowledge sharing. We plan to improve internal communication and information exchange through further development of Intranet-based systems.

Serving the Community

Many members of the staff participate in community organizations, lending their talents as board members and volunteers. They provide expertise in accounting, management and operational issues.

Staff of the Office continued to support the Provincial Employees Community Services Fund in its campaign for charitable donations. Again this year the Office was awarded a print of an Emily Carr painting for having the highest percentage of employee participation in its category. This is the 12th year that our staff have maintained a 100% participation rate in the annual campaign for donations.

We have also provided expertise to the United Way, contributing to work on measuring outcomes of the member agencies.

Risk Management:

The Office has developed a Business Continuation Plan, which was tested during the year. In the coming year, we intend to amend the plan to reflect our new organizational structure. We also continued to maintain an effective Health and Safety program, in compliance with the Occupational Health and Safety regulation. A number of staff have been trained in advanced first aid, as well as search and rescue techniques.

Building:

The Office's accommodation in downtown Victoria remained unchanged during the year. Our rental charges were $433,703. No major renovations took place during the year.

Communications:

We continued our practice of preparing news releases with our reports, as well as providing simultaneous release of the reports from our website. We also redeveloped our external website to make it easier to use and more client-centred.

Steady growth in the number of clients accessing our website for our reports has resulted in a downward trend in our publication costs. Exhibit 7 shows the number of 2000/2001 reports that we mailed to or were accessed electronically by the public this past year.

As well, we established a separate external relations function in the Office to extend and improve our communications with legislators and other organizations.

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The Office has developed a Business Continuation Plan, which was tested during the year. In the coming year, we intend to amend the plan to reflect our new organizational structure. We also continued to maintain an effective Health and Safety program, in compliance with the Occupational Health and Safety regulation. A number of staff have been trained in advanced first aid, as well as search and rescue techniques.

Building:

The Office's accommodation in downtown Victoria remained unchanged during the year. Our rental charges were $433,703. No major renovations took place during the year.

Communications:

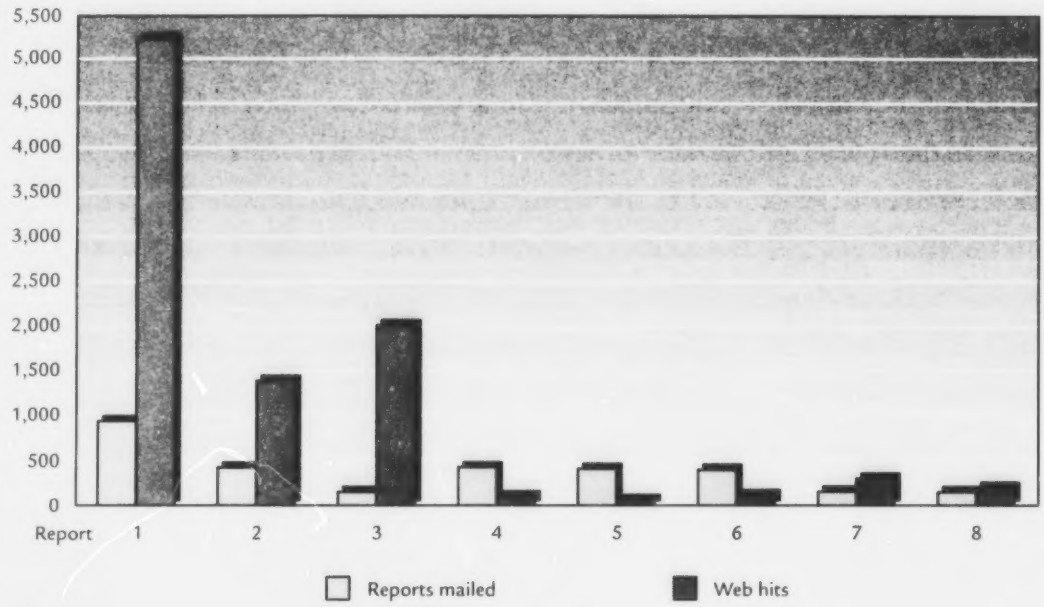
We continued our practice of preparing news releases with our reports, as well as providing simultaneous release of the reports from our website. We also redeveloped our external website to make it easier to use and more client-centred.

Steady growth in the number of clients accessing our website for our reports has resulted in a downward trend in our publication costs. Exhibit 7 shows the number of 2000/2001 reports that we mailed to or were accessed electronically by the public this past year.

As well, we established a separate external relations function in the Office to extend and improve our communications with legislators and other organizations.

Exhibit 7

The Public's Use of Our 2000/2001 Reports



Report:

1 *Fostering a Safe Learning Environment: How the British Columbia Public School System Is Doing* (June 2000)

2 *Report on the Implementation of the Recommendations of the Budget Process Review Panel* (September 2000)

3 *Follow-up of Performance and Compliance Audits: A Review and a Study* (December 2000)

4 *Management Consulting Engagements in Government* (March 2001)

5 *Monitoring Credit Unions and Trust Companies in British Columbia* (March 2001)

6 *Report on Government Financial Accountability for the 1999/2000 Fiscal Year* (March 2001)

Special Report:

7 *Strategic Direction and Funding Proposal* (February 2001)

8 *A Proposal to Update the Auditor General Act* (February 2001)

Our Office Will Help Move British Columbia Toward Sustainability

Over the past decade, a mix of policy initiatives and legislation has been used to address a number of environmental and sustainability concerns of the residents of British Columbia.

The latest initiative involves our Office. Legislation passed in spring 2001, (Bill 7 the Environment and Sustainability Statutes Act) provides for two major initiatives. It amends the Budget Transparency and Accountability Act by requiring government, ministries and government organizations to identify their sustainability objectives and performance measures in their performance plans and to report annually on their progress against these objectives. It also amends the Auditor General Act by providing for the establishment, within the Office of the Auditor General, of the position of Commissioner for Environment and Sustainability. The Auditor General is responsible for appointing the Commissioner.

Establishing the Commissioner's position within the Office of the Auditor General offers several advantages. The Office already has:

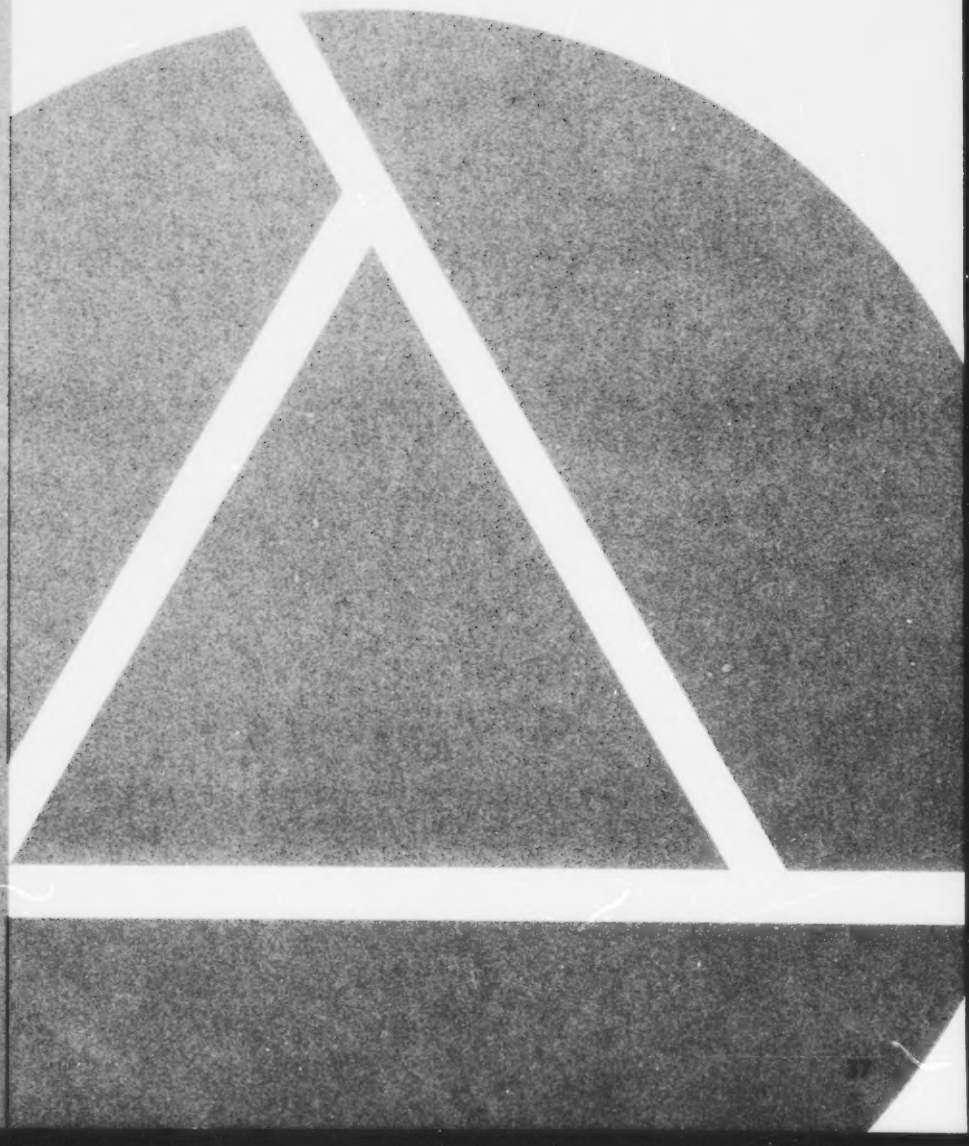
- a setting in which independence, diligence and scepticism —the key qualities necessary for the Commissioner's work—are adhered to;
- experience in examining difficult issues and reporting on them in plain language;
- proven and up-to-date examination methodologies and reporting practices; and
- experience in auditing and reporting on important environmental management issues such as protection of drinking-water sources, habitat protection, and monitoring of pulp mill effluent.

The Commissioner has several responsibilities under the new Environment and Sustainability Statutes Act. First, he or she must report annually to the Legislative Assembly on the progress of governments, ministries and government organizations toward achieving sustainability. In this context, sustainability is defined as "the integration of environmental, social, and economic considerations to ensure that the use, development and protection of the environment enables people to meet current needs, while ensuring that future generations can also meet their needs." The legislation also provides for a public voice by allowing residents to make submissions to the Commissioner on sustainability issues. The Commissioner's annual report will contain information about the number and nature of these submissions.

In addition to publishing the annual report, the Commissioner will report every two years on the state of British Columbia's ecological health. That report is intended to complement, but not duplicate, the information currently provided by other reports, such as British Columbia's State of the Environment report. The legislation also allows the Commissioner to report at any time on sustainability matters he or she believes should be brought to the attention of the Legislative Assembly. A key objective for all of these reports will be to provide legislators with information that will help them understand the impacts of government policies on the sustainability of ecosystems, society and economic systems of the province.

Currently our Office is completing the selection and hiring process for the Commissioner. This is being done with the advice of an advisory committee (whose members have been chosen for their wide-ranging backgrounds), and the help of a professional recruitment firm.

appendices



appendix a

Financial Statements for the Year Ended March 31, 2001

The Office's financial statements for the year ended March 31, 2001, has been audited by an independent firm of Chartered Accountants whose report is dated May 18, 2001.

OFFICE OF THE
Auditor General
of British Columbia

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Telephone: (250) 387-6803
Facsimile: (250) 387-1230

OFFICE OF THE AUDITOR GENERAL OF BRITISH COLUMBIA

STATEMENT OF MANAGEMENT RESPONSIBILITY

We are responsible for ensuring that the financial statements and other financial information in this annual report are complete and accurate.

We have prepared the financial statements according to accounting principles that are generally accepted in Canada.

We develop and maintain systems of internal control that give reasonable assurance that our Office has:

- Operated within its authorized limits;
- Safeguarded assets; and
- Kept complete and accurate financial records.

The independent auditors, Green Horwood Munro & Tuckey, Chartered Accountants, were appointed by Treasury Board, pursuant to Section 22 of the Auditor General Act, to audit the accounts of our Office for the fiscal year ended March 31, 2001, and to report the results of the audit to the Speaker of the Legislative Assembly. The report of the auditors outlines the scope of their audit and their opinion on our financial statements.

Wayne Strelioff
Auditor General

Jane McCannell
Executive Financial Officer

May 18, 2001

GREEN, HORWOOD, MUNRO & TUCKEY
CHARTERED ACCOUNTANTS

THIRD FLOOR - 1006 FORT STREET
VICTORIA, B.C., V8V 3K4

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ASSOCIATES:
I. KEITH SMITH, B. Sc., CA
JOSEPH M. WEICKER, C.G.A.

May 18, 2001

AUDITORS' REPORT

To the Speaker,
The Legislative Assembly
Province of British Columbia

We have audited the Statement of Financial Position of the Office of the Auditor General of British Columbia as at March 31, 2001 and the Statements of Operations and Changes in Net Assets for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the finanical information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General of British Columbia as at March 31, 2001 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Green Horwood Munro + Tuckey

Chartered Accountants

Office of the Auditor General of British Columbia
Statement of Financial Position

As at March 31	2001	2000
Assets		
Current Assets		
Advances Recoverable	$ 21,666	$ 20,848
Accounts Receivable	35,079	9,063
Work in Progress (Note 3)	554,619	286,600
Due from the Consolidated Revenue Fund	162,253	470,438
	773,617	786,949
Capital Assets (Note 6)	320,319	270,394
	$ 1,093,936	$ 1,057,343
Liabilities and Net Assets		
Accounts Payable	$ 182,872	$ 178,649
Accrued leave liability (Note 5)	590,745	608,300
	773,617	786,949
Net Assets	320,319	270,394
	$1,093,936	$1,057,343

Commitments (Note 7)

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Executive Council:

Wayne Strelioff
Auditor General

Jane McCannell
Executive Financial Officer

Office of the Auditor General of British Columbia
Statement of Operations

For the Year Ending March 31	2001 Budget	2001 Actual	2000 Actual
REVENUE			
Voted appropriation (Note 4)	$6,645,000	$6,645,000	$6,923,000
Recoveries from agencies	1,200,000	1,699,867	1,504,866
Other appropriations (Note 4)	98,000	98,000	-
	7,943,000	8,442,867	8,427,866
EXPENSES			
Salaries	4,976,000	5,018,765	4,983,423
Employee benefits (Note 5)	869,000	926,182	1,104,767
Salaries and benefits	5,845,000	5,944,947	6,088,190
Building occupancy charges	453,000	433,703	437,550
Professional services	477,000	912,517	456,647
Travel	289,000	258,445	269,921
Office expenses	337,000	286,402	298,276
Data and voice communications	129,000	145,560	163,547
Capital assets amortization (Note 6)	214,000	190,107	291,137
Public reports	142,000	31,286	152,499
Grants	57,000	57,000	57,000
	7,943,000	8,259,967	8,214,767
Revenues Over Expenses	$ -	$ 182,900	$ 213,099
Unused Appropriation	$ -	$ 182,900	$ 213,099

The accompanying notes are an integral part of the financial statements.

Office of the Auditor General of British Columbia
Statement of Changes in Net Assets

For the Year Ending March 31	2001		2000	
	Budget	Actual	Budget	Actual
Net Assets – beginning of year		$270,394		$428,207
Appropriations for purchase of capital assets (Note 4)	$258,000	240,032	$130,000	133,324
Capital asset amortization	203,000	(190,107)	164,000	(291,137)
Increase/(Decrease) in Net Assets		49,925		(157,813)
Net Assets – end of year		$320,319		$270,394

The accompanying notes are an integral part of the financial statements.

1. Authority

The Auditor General is an Officer of the Legislature of British Columbia, independent of the Government, with a mandate to meet the requirements of the Auditor General Act. This mandate is to provide independent assessments and advice that enhance government accountability and performance.

Funding for the operation of the Office of the Auditor General (hereafter the "Office") is provided through a voted appropriation (Vote 2) and by billing government agencies for audit and related services they receive, pursuant to a Memorandum of Understanding with the Minister of Finance and Corporate Relations. All payments are made from, and funds are deposited in, the Province's Consolidated Revenue Fund.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles in Canada. The significant accounting policies are as follows:

a) *Accrual basis*

The financial statements are accounted for on an accrual basis.

b) Gross basis

Revenue, including recoveries from government agencies, and expenses, are recorded on a gross basis.

c) Revenue

Revenue is recognized when related costs are incurred.

d) Expense

Expense is recognized when goods and services are acquired or a liability is incurred.

e) Net Assets

Our net assets represents the accumulated cost of our capital assets less accumulated amortization.

f) Statement of Cash Flows

A Statement of Cash Flows has not been prepared, as it would provide no additional useful information.

g) *Capital Assets*

2. Significant Accounting Policies (continued)

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of capital assets, as follows:

Computer hardware and software	3 years
Furniture and equipment	5 years
Tenant improvements	5 years

3. Work in Progress

For the year ending March 31	2001	2000
Audits performed by the Office	$ 403,713	$ 264,100
Audits performed by authorized agents of the Office	69,000	22,500
Management services provided by the Office	81,906	—
Totals	$ 554,619	$ 286,600

4. Appropriations

Appropriations for our Office are approved by the Legislative Assembly and included in the government's estimates as voted through the Supply Act. The Office receives approval to spend funds through separate operating and capital appropriations. The unused appropriations cannot be used by the Office in subsequent fiscal years.

For the year ending March 31	2001			2000
	Operating	Capital	Total	Total
Appropriations	$ 6,743,000	$ 258,000	$ 7,001,000	$ 7,053,000
Recoveries	1,699,867		1,699,867	1,504,866
Gross funds available	8,442,867	258,000	8,700,867	8,557,866
Operating expenses	(8,259,967)		(8,259,967)	(8,214,768)
Capital acquisitions		(240,032)	(240,032)	(133,024)
Unused appropriations	$ 182,900	$ 17,968	$ 200,868	$ 210,074

Our appropriations include additional funding for start-up costs for a Commissioner for Environment and Sustainability. The Office received an additional appropriation of $98,000 for operating costs, and $82,000 for capital acquisitions.

5. Employee Benefits and Leave Liability

Accumulated liability with respect to vacation and other leave entitlements due to employees of the Office amounted to $590,745 as at March 31, 2001 (2000 – $608,300). The Office has fully funded this amount by transferring funds to the government's leave liability account to cover future payment of these entitlements.

6. Capital Assets

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer Hardware and Software	$693,085	($408,121)	$284,964	$220,002
Furniture and equipment	158,691	(123,336)	35,355	50,392
Tenant Improvements	778,563	(778,563)	–	–
	$1,630,339	($1,310,020)	$320,319	$270,394

Change in Accounting Policy

During the year, the Office adopted the government's new policy of capitalizing and amortizing furniture and equipment. Amortization of furniture and equipment for the year ended March 31, 2001 was $25,471. This change in accounting policy has also been applied retroactively. Amortization for the year ending March 31, 2000, has been increased by $36,306 to $291,137.

7. Commitments

The Office has a leasehold commitment with the British Columbia Buildings Corporation for building occupancy costs. This lease has a 10 year term to October 2004. The future minimum lease payments for office space for the next three fiscal years are:

2002	$ 410,000
2003	410,000
2004	240,000
	$1,060,000

8. Pension and Retirement Benefits

The Office and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act*. The Public Service Pension Plan is a multi-employer, defined benefit plan and is available to substantially all of the Office's employees. On behalf of employers, the British Columbia Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the act applies. The most recent actuarial valuation (March 31, 1999) has determined the Plan is in a surplus position. Effective January 1, 2001, the Public Service Pension Plan's management changed to a joint trusteeship whereby the management, risks and benefits are shared between the employees and employers.

The Office also contributes through the Provincial Government payroll system for specific termination benefits as provided for under collective agreements and conditions of employment. The cost of these employee future benefits are recognized as an expense in the year that contributions are paid.

9. Comparative Figures

Certain comparative figures have been restated to conform with the financial statement presentation adopted in the current year.

Management Discussion and Analysis

The analysis of revenues and expenditures that follows shows that recoveries from government agencies for audit services has risen in proportion to total revenues, while the appropriation has declined.

Salaries and benefits continues to be the single largest cost item for the Office, at 72%. These expenditures were about $140,000 less than the prior year due to a high turnover rate, and delays in hiring as a result of difficulties encountered in the competitive job market. Although our authorized full-time equivalent (FTE) level remained at 95, our actual FTEs for the year were 87.

Professional services fees have increased from prior years. Fees are paid to audit firms who carry out financial audit work on behalf of the Office, and to consultants who act as advisors on performance audits. The increase over last year reflects an increase in activity levels, and changes in the type and amount of advisory expertise needed for audits conducted during the year.

Over all the Office under spent its operating appropriations by about $183,000, which represents about 3% of the total appropriations.

Office of the Auditor General of British Columbia: Analysis of Revenues and Expenses

	Actuals				Line Items as a Percent				Year-to-Year Comparisons in Line Items		
	2001 $	2000 $	1999 $	1998 $	2001 %	2000 %	1999 %	1998 %	Change from 00 to 01 %	Change from 99 to 00 %	Change from 98 to 99 %
Revenue					As a Percentage of Revenue						
Appropriations	6,743,000	6,923,000	6,923,000	6,875,000	79.9	82.1	83.2	87.1	-2.6	0.0	0.7
Recoveries	1,699,867	1,504,866	1,398,056	1,017,211	20.1	17.9	16.8	12.9	13.0	7.6	37.4
Total Revenue	8,442,867	8,427,866	8,321,056	7,892,211	100.0	100.0	100.0	100.0	0.2	1.3	5.4
Expenses					As a % of Expenses						
FTE utilization	86.9	86.8	88.6	87							
Total salaries and benefits	5,944,947	6,088,190	6,137,586	5,916,607	72.0	74.1	76.5	75.5	-2.4	-0.8	3.7
Building occupancy charges	433,703	437,550	546,530	544,247	5.3	5.3	6.8	6.9	-0.9	-19.9	0.4
Professional services	912,517	456,647	335,526	341,370	11.0	5.6	4.2	4.4	99.8	36.1	-1.7
Travel	258,445	269,921	293,677	282,469	3.1	3.3	3.7	3.6	-4.3	-8.1	4.0
Office expenses	286,402	298,276	224,457	229,404	3.5	3.6	2.8	2.9	-4.0	32.9	-2.2
Data and voice	145,560	163,547	146,063	149,110	1.8	2.0	1.8	1.9	-11.0	12.0	-2.0
Capital asset amortization	190,107	291,137	171,864	200,971	2.3	3.5	2.1	2.6	-34.7	69.4	-14.5
Public reports	31,286	152,499	110,624	118,983	0.4	1.9	1.4	1.5	-79.5	37.9	-7.0
Grants	57,000	57,000	57,000	57,000	0.7	0.7	0.7	0.7	0.0	0.0	0.0
Total expenses	8,259,967	8,214,767	8,023,327	7,840,161	100.0	100.0	100.0	100.0	0.6	2.4	2.3
					As a % of Appropriation						
Unused appropriations	182,900	213,099	297,729	52,050	2.7	3.1	4.3	0.8	-14.2	-28.4	472.0

appendix b

Government Entities and Trust Funds and Their Auditors

Entities Included in the March 31, 2001 Summary Financial Statements

	Audited by	
	Auditor General	Authorized Auditors
552513 British Columbia Ltd.[1]	✓	
577315 British Columbia Ltd.[2,3]	✓	
580440 B.C. Ltd.[4]	✓	
B.C. Community Financial Services Corporation		✓
B.C. Festival of the Arts Society		✓
B.C. Games Society		✓
B.C. Health Care Risk Management Society		✓
B.C. Pavilion Corporation		✓
BC Society for the Distribution of Gaming Revenue to Charities	✓	
BC Transportation Financing Authority	✓	
Highway Constructors Ltd.	✓	
BCIF Management Ltd.		✓
British Columbia Arts Council[5]		✓
British Columbia Assessment Authority	✓	
British Columbia Assets and Land Corporation	✓	
British Columbia Buildings Corporation	✓	
British Columbia Enterprise Corporation	✓	
British Columbia Ferry Corporation		✓
British Columbia Health Research Foundation		✓
British Columbia Heritage Trust		✓
British Columbia Housing Management Commission		✓
British Columbia Hydro and Power Authority		✓

[1] This company owns shares in Skeena Cellulose Inc.

[2] These organizations were established during the current year.

[3] This company has investments in Western Star Trucks Holdings Ltd.

[4] This company provides funding to the Vancouver Trade and Convention Centre Authority which, in turn, was constructing the Vancouver Trade and Convention Centre.

[5] The entity's financial statements were unaudited.

	Audited by	
	Auditor General	Authorized Auditors
British Columbia Investment Management Corporation[2]	✓	
British Columbia Liquor Distribution Branch[6]	✓	
British Columbia Lottery Corporation		✓
British Columbia Railway Company		✓
British Columbia Securities Commission	✓	
British Columbia Systems Corporation		✓
British Columbia Trade Development Corporation		✓
British Columbia Transit		✓
Canadian Blood Services[7]		✓
Columbia Basin Trust		✓
Columbia Power Corporation	✓	
Arrow Lakes Power Company	✓	
Columbia Basin Power Company	✓	
Columbia Thermal Power Company	✓	
Power Project Planning Joint Venture	✓	
Creston Valley Wildlife Management Authority Trust Fund	✓	
Discovery Enterprises Inc.		✓
Duke Point Development Limited	✓	
First Peoples' Heritage, Language and Cultural Council		✓
Fisheries Renewal BC	✓	
Forensic Psychiatric Services Commission 2		✓
Forest Renewal BC	✓	
New Forest Opportunities Ltd.	✓	
Office of the Jobs and Timber Accord Advocate	✓	
Health Facilities Association of British Columbia	✓	
Homeowner Protection Office	✓	
Industry Training and Apprenticeship Commission	✓	
Insurance Corporation of British Columbia		✓
Legal Services Society	✓	

[6]Branch of the Ministry of Small Business, Tourism and Culture.

[7]This organization reflects a government partnership among Canadian provinces and is proportionally consolidated based on the province's share (14.9%) of the total provincial contributions to the partnership.

	Audited by	
	Auditor General	Authorized Auditors
Legal Aid Federal/Provincial Agreement	✓	
Oil and Gas Commission	✓	
Okanagan Valley Tree Fruit Authority		✓
Organized Crime Agency of British Columbia Society[2]		✓
Pacific National Exhibition		✓
Private Post-Secondary Education Commission[8]		✓
Provincial Capital Commission	✓	
Provincial Rental Housing Corporation		✓
Rapid Transit Project 2000 Ltd.		✓
Science Council of British Columbia		✓
Tourism British Columbia	✓	
Vancouver Trade and Convention Centre Authority	✓	
Victoria Line Ltd.	✓	
Entities Not Included in the Summary Financial Statements		
British Columbia Institute of Technology	✓	
Enrollment Audit	✓	
Campbell River/Nootka Community Health Council	✓	
Coast Garibaldi Community Health Services Society	✓	
Kwantlen University College	✓	
Enrollment Audit	✓	
Pacific Technology Resources Society	✓	
Royal Roads University	✓	
Royal Roads University Foundation	✓	
Simon Fraser University	✓	
Enrollment Audit	✓	
Simon Fraser University Foundation	✓	
SF Univentures Corporation	✓	

[2] These organizations were established during the current year.

[8] This organization is included in the Summary Financial Statements starting in the current year because it meets the definition of a fully consolidated entity.

	Audited by	
	Auditor General	Authorized Auditors
Technical University of British Columbia	✓	
The University of British Columbia	✓	
Canadian HIV Trials Network	✓	
Cedar Lodge Society	✓	
Enrollment Audit	✓	
The University of British Columbia Foundation	✓	
University of Northern British Columbia	✓	
Enrollment Audit	✓	
University of Northern British Columbia Foundation	✓	
University of Northern British Columbia Pension Fund	✓	
University of Victoria	✓	
Enrollment Audit	✓	
Foundation for the University of Victoria	✓	
Island Pacific Institute Foundation (Dunsmuir)	✓	
University of Victoria Innovation and Development Corporation	✓	
Other Education and Health Sector Entities		
Colleges and Advanced Education Institutes (20 entities)		✓
Community Health Councils (32 entities)		✓
Community Health Services Societies (6 entities)		✓
Health Care Organizations (13 entities)		✓
Health Regions / Regional Health Boards (11 entities)		✓
Regional Hospital Districts (34 entities)		✓
School Districts (60 entities)		✓
Centre of Excellence in Advanced Wood Products Processing Funding Society	✓	
Provincial Employees Community Services Fund	✓	

Trust Funds Disclosed in the Summary Financial Statements

	Audited by	
	Auditor General	Authorized Auditors
BC Rail Ltd. Pension Plan	✓	
British Columbia Investment Fund Ltd.		✓
British Columbia Public Service Long Term Disability Plan	✓	
College Pension Plan	✓	
Credit Union Deposit Insurance Corporation of British Columbia		✓
Members of the Legislative Assembly Superannuation Account	✓	
Municipal Pension Plan	✓	
Province of British Columbia Pooled Investment Portfolios:		
Active Canadian Equity Fund	✓	
Active U.S. Equity Fund	✓	
Asian Equity Fund	✓	
British Columbia Focus Fund	✓	
Canadian Money Market Fund ST1	✓	
Canadian Money Market Fund ST2	✓	
U.S. Dollar Money Market Fund ST3	✓	
Canadian Corporate Bond Fund	✓	
Construction Mortgage Fund	✓	
European Equity Fund	✓	
Fixed Term Mortgage Fund	✓	
Indexed Canadian Equity Fund	✓	
Indexed Government Bond Fund	✓	
International Equity Fund	✓	
Long Term Bond Fund	✓	
Pension Bond Fund	✓	
Private Placement Fund 1995	✓	
Private Placement Fund 1996	✓	
Private Placement Fund 1997	✓	
Private Placement Fund 1998	✓	
Private Placement Fund 1999	✓	

	Audited by	
	Auditor General	Authorized Auditors
Private Placement Fund 1999a	✓	
Realpool International Vintage Fund 1999	✓	
Realpool Investment Fund	✓	
S & P 500 Index Equity Fund	✓	
Short Term Bond Fund	✓	
Specialty Mortgage Fund	✓	
TSE 100 Index Equity Fund	✓	
U.S. Index Enhanced Equity Fund	✓	
Public Service Pension Plan	✓	
Teachers' Pension Plan	✓	
Workers' Compensation Board of British Columbia	✓	
Workers' Compensation Board Superannuation Plan	✓	

appendix c

A Summary of the Office's 2000/2001 Reports —Assessing Government Performance

Fostering a Safe Learning Environment: How the British Columbia Public School System Is Doing

We spent a year assessing public school safe learning initiatives aimed at helping students optimize their opportunities to learn. These initiatives included policy guidelines for dealing with disruptive behaviour, safe learning programs, core curriculum to foster socially responsible behaviour, and related resource materials and teacher in-service training developed over the previous four years.

During the audit, we spoke with teachers, administrators, counsellors, trustees, parents and students in several school districts. The information we gathered in these meetings was supplemented by our own province-wide surveys of teachers and administrators, as well as student surveys recently done by others.

Our findings show that the British Columbia school system is working hard to address safe learning issues:

- The BC Safe Schools Centre has been established in Burnaby as a central resource for advising educators and parents in reducing student aggression.
- Relevant policy guidelines and curriculum materials have been developed for use in all schools.
- Many schools are using safe learning strategies, such as Effective Behaviour Support, to improve their school environment.

Although early indications suggest that these efforts are worthwhile, more needs to be done to:

- monitor the progress of individual students and schools;
- respond to teacher and administrator requests for more in-service training on how to address safe learning concerns; and
- determine the extent to which strategies represent an effective allocation of limited resources.

The Ministry of Education is now working with school districts to implement the 19 recommendations contained in the report, and we expect to produce a follow-up report later this year.

Report on the Implementation of the Recommendations of the Budget Process Review Panel

In 1999, the Auditor General's report to the Legislative Assembly entitled *A Review of the Estimates Process in British Columbia* discussed both the governance and management aspects of the Estimates process. The report recommended changes to the way in which the Cabinet develops the provincial budget (including the Estimates) and the way in which the Legislative Assembly scrutinizes and approves the Government's spending plans. The report also recommended significant changes to the way the Government plans its finances and programs, monitors actual results and reports on its performance to the Assembly.

The Auditor General encouraged the Government to give an external committee the opportunity to review the recommendations in his report. Accordingly, the Government established the independent Budget Process Review Panel in April 1999. In September 1999, the panel issued its final report, entitled *Credibility, Transparency & Accountability—Improving the B.C. Budget Process*. The report reaffirmed the Auditor General's recommendations, echoed his previous thinking on accountability and performance management, and reiterated the recommendations of the Public Accounts Committee on the substantive reform of legislative committees. It also called on the Government to implement most of its recommendations through legislation.

The Government publicly responded to the panel's recommendations in its Budget 2000 Report, indicating agreement with most of the recommendations. It then introduced new legislation, the Budget Transparency and Accountability Act, which the Legislative Assembly passed on July 6, 2000. The new Act requires the Auditor General to report to the Legislative Assembly each year by September 30 on the implementation of the recommendations made by the Budget Process Review Panel.

This report meets that responsibility for the year 2000 and highlights some important issues that must be addressed to successfully implement the recommendations. In the report, the Auditor General states that, through legislation and other actions, the Government has made reasonable progress. However, he believes much must still be done to bring life to

the substance of the recommendations. He also highlights a few important recommendations that the Government has not yet accepted.

Follow-up of Performance and Compliance Audits: A Review and a Study

This report includes the reviews we do to provide the Legislative Assembly and the public with an update on progress made by management in implementing our recommendations. We also carried out further follow-up work where the more significant recommendations we made in earlier years had still not been substantially implemented. Exhibit 6 in the main body of this annual report lists the performance and compliance reports followed up in 2000/2001.

Strategic Direction and Funding Proposal

This report describes a recently appointed Auditor General's strategic direction for his office, including his key priorities, and funding requirements for the Office of the Auditor General.

In the report, the Auditor General states that, during the next three years, his priorities are to achieve:

- complete financial plans and reports by government;
- strong management by government of accountability and risk within the health and education sectors;
- strong management by government of accountability and risk for large capital projects and complex information systems; and
- results-focussed performance reporting by government.

As well, the Auditor General reminds the Legislative Assembly that his predecessor had reported that over $1 million was needed immediately to allow the Office to do its work, and that there was a significant risk of the Auditor General being unable to provide the information and assurances required by legislators to discharge their governance responsibilities. He asks the Members of the Legislative Assembly to support his request for additional resources for the Office, specifically, an increase of $1.3 million to the appropriation to be provided to the Office for 2001/2002, and an increase of 15 staff members.

The Auditor General also reiterates his request for an updated mandate for the Office, to be confirmed through revisions to the Auditor General Act.

Management Consulting Engagements in Government

The British Columbia government frequently uses management consultants to assist it in its decision-making. The impact of these consulting engagements can be many times more significant than the size of the contracts used to engage the consultants. This audit determined to what extent the government in British Columbia is receiving value for money from its management consulting engagements and whether government is awarding these contracts in a fair and open manner. We concluded that the ministries were receiving value for money from the majority of the management consulting contracts, but that a number of improvements are needed to better ensure value is attained. We also concluded that the majority of the ministries usually award their management consulting contracts directly and not in an open and fair manner. In addition, we determined that the competitive award policies were dated and needed to be reviewed to ensure that they represent the best value between fairness and efficiency.

Monitoring Credit Unions and Trust Companies in British Columbia

The report looks at the adequacy of the Financial Institutions Commission's monitoring of credit unions and trust companies for compliance with the Financial Institutions Act and the Credit Union Incorporation Act. In our audit, we concluded that the commission's monitoring work was extensive and carried out in a well-organized and thorough manner, and that overall it was doing a good job of monitoring the credit unions and trust companies in this broad range of areas. The report has a number of recommendations, but the only significant concern is that the compliance by extra-provincial trust companies (those that are incorporated in other jurisdictions) with the market conduct requirements of the legislation is monitored only by complaint investigation and not more active means.

Report on Government Financial Accountability for the 1999/2000Fiscal Year, Province of British Columbia

The Auditor General's report on the financial statements of the Province for the year ended March 31, 2000, was included in the Public Accounts published on August 15, 2000. In *Report on Government Financial Accountability for the 1999/2000 Fiscal Year* the Auditor General provides further comments on the Province's Public Accounts.

The focus of this report is on explaining the government's business and its financial results for the 1999/2000 fiscal year. In it, the Auditor General refrained from commenting on the government's financial plans presented in Budget 2000, because such plans were published before the enactment of the Budget Transparency and Accountability Act. He noted that much work will be required by many to meet the expectations formulated in the Act to improve financial plans.

The report recognizes that over the past several years the government has accomplished a great deal in providing better information in its Public Accounts, though the Summary Financial Statements still need further improvements because they do not provide a full accounting of government's financial affairs. The Auditor General expressed a qualified opinion on the Summary Financial Statements concerning this issue. Some $4.7 billion of public assets and $1.9 billion of revenues raised through users fees are not captured in the Province's financial statements because the government excludes schools, universities, colleges and hospitals from its financial reporting. The report states that the government is responsible for the overall state of finances of our systems of health and education and therefore must account for the overall state of finances of these important social systems.

The report encourages the Province to continue publishing annually in the Public Accounts certain important information on British Columbia's public debt. It recommends a financial reporting framework and several indicators of financial conditions through which Government should explain its business and its finances in a complete and clear manner.

As well, the report also refers to the government's progress in accounting for the Province's acquired capital assets—progress that has been achieved by providing more rigorous program cost information and facilitates better management of a valuable public resource.